

**THE TIMELINESS AND EXTENT OF DISCLOSURE OF CORPORATE
INTERIM FINANCIAL REPORTING IN JORDAN**

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CORPORATE INTERIM FINANCIAL REPORTING IN JORDAN**

By

SAQOR SULAIMAN AL-TAHAT

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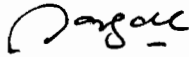
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ABSTRACT

This study examines interim financial reporting in Jordan, and it involves two main phases. First, the study undertook a questionnaire survey to seek the perceptions of users regarding the use, usefulness, the information deemed necessary to be disclosed in the interim financial reports, and other issues surrounding interim financial reporting. Second, this study analyzed the contents of half-yearly financial reports to assess their quality in terms of the extent of disclosure and timeliness. These qualities are subsequently tested for association with board of directors characteristics (namely board composition, board size, and board leadership structure), ownership structure (namely foreign ownership, government ownership, and the number of shareholders), and attributes of companies (namely size, profitability, growth, age, leverage, audit firm size, and market listing status).

The findings reveal that interim financial reports are used, useful, and the second most important source of information for investors, after annual reports. Because of this, investors express their desire for improved interim financial report in terms of disclosure and timeliness. In addition, the introduction of quarterly financial report is welcomed by investors.

Although compliance with mandatory disclosures and reporting deadlines is high, more improvements could be made. As far as the quality of disclosure is concerned, companies appear to provide a moderate level of disclosure. With respect to timeliness, there are tendencies for companies to take as long as they are allowed to issue the interim financial reports.

Consistent with most studies, this study reveals that: (i) the extent of disclosure is positively associated with company growth and board size; (ii) compliance with allowable financial reporting lag is positively related to the foreign ownership and profitability, and (iii) financial reporting lag is negatively related to profitability and age, but positively related to the leverage of a company. This implies that companies with a relatively higher percentage of shares owned by foreigners and are more profitable are more likely to comply with the requirement to publish within one month. The findings also indicate that companies that are more profitable, older, and have lower leverage are more likely take a shorter time to publish their half-yearly financial reports.

The findings provide some input to users, preparers, and policy makers into the current practice of reporting, and for future regulations on interim financial reporting. In addition, the present study opens up avenues for more studies on interim financial reporting not only in Jordan, but also in other countries where this area of study is lacking. Furthermore, it opens up opportunities and provides avenues for more in-depth research related to interim financial reporting.

ABSTRAK

Kajian ini adalah tentang laporan kewangan interim di Jordan, dan ia melibatkan dua fasa utama. Pertama, kajian ini melibatkan tinjauan soal selidik untuk mendapatkan pandangan pengguna terhadapm kegunaan, kebergunaan, dan maklumat yang dianggap perlu untuk dizahirkan dalam laporan interm, dan juga isu lain berhubung dengan laporan kewangan interim. Kedua, kajian ini kemudian menganalisis kandungan laporan setengah tahun untuk menilai kualiti tahap penzahiran dan ketepatan masa. Kualiti penzahiran ini kemudiannya diuji, (saiz dan struktur kepemimpinan lembaga pengarah), struktur pemilikan (iaitu pemilikan asing, pemilikan kerajaan, dan bilangan pemegang saham), dan ciri-ciri syarikat (iaitu saiz, keuntungan, pertumbuhan, umur, leveraj, saiz syarikat audit, dan status listing pasaran).

Dapatan kajian menunjukkan bahawa laporan kewangan interim digunakan, berguna dan merupakan sumber maklumat kedua penting kepada pelabur selepas laporan tahunan. Disebabkan ini, pelabur melahirkan keinginan untuk mendapatkan laporan kewangan interim yang lebih baik dari segi penzahiran dan ketepatan masa. Di samping itu, laporan suku tahun yang diperkenalkan juga dialu-alukan oleh pelabur.

Walaupun kepatuhan terhadap penzahiran mandatori dan had masa laporan adalah tinggi, namun banyak lagi penambahbaikan yang boleh dilakukakn. Dari segi kualiti penzahiran, syarikat dilihat sebagai melakukan penzahiran yang sederhana. Dari segi ketepatan masa pula, terdapat kecenderungan oleh syarikat untuk mengambil masa selama mungkin yang

dibenarkan untuk mengeluarkan laporan interim. Sepertimana kajian lalu, kajian ini memperlihatkan bahawa: (i) tahap penzahiran berkait secara positif dengan pertumbuhan syarikat and saiz lembaga pengarah; (ii) kepatuhan kepada tempoh pelaporan dibenarkan berkait secara positif dengan pemilikan asing dan keberuntungan; dan (ii) tempoh masa pelaporan berkait secara negatif dengan keuntungan dan umur, tetapi berkait secara positif dengan leveraj syarikat. Ini bermakna syarikat yang mempunyai pemilikan asing dan keberuntungan yang tinggi lebih cenderung untuk mematuhi peruntukan tempoh pelaporan, iaitu satu bulan. Kajian juga menunjukkan syarikat yang mempunyai keuntungan yang tinggi, lebih tua dan mempunyai leveraj yang rendah mengambil masa yang lebih singkat untuk mengeluarkan penyata setengah tahun.

Hasil kajian ini telah berupaya untuk memberikan input kepada pengguna, penyedia dan pembuat dasar tentang amalan semasa laporan, dan peraturan tentang laporan kewangan interim. Tambahan pula, kajian ini telah membuka ruang untuk lebih banyak penyelidikan di masa-masa akan datang tentang laporan kewangan interim.

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TABLE OF CONTENTS

Permission to Use	i
Abstract	ii
Abstrak	iv
Acknowledgements	vi
Table of Content	vii
List of Tables	xvi
List of Figures	xviii
List of Abbreviations	xix
CHAPTER ONE: INTRODUCTION	
1.1 Background	1
1.2 Problem Statement	6
1.3 Research Questions	10
1.4 Research Objectives	11
1.5 Contribution of Study	12
1.6 Scope of Study	17
1.7 Structure of the Thesis	18
1.8 Summary	20
CHAPTER 2: OVERVIEW AND THE DEVELOPMENT OF INTERIM FINANCIAL REPORTING	
2.1 Introduction	21
2.2 Theoretical Perspectives of Financial Reporting	22
2.3 Accounting Disclosure	24
2.3.1 Concept of Disclosure	24
2.3.2 Factors Affecting the Level of Disclosure	25

2.3.2.1	Environmental factors	25
2.3.2.2	Information-Related Factors	26
2.3.2.3	Economic Entity-Related Factors	26
2.4	Interim Financial Reports	27
2.4.1	Concept of Interim Financial Reports (IFR)	27
2.4.2	Uses of Interim Financial Reporting	27
2.4.2.1	Aiding in Estimating Annual Results	28
2.4.2.2	Aiding in Making Forward Projections	29
2.4.2.3	Identifying Turning Points in Earning Trend and Liquidity	29
2.4.2.4	Evaluating Management Performance	30
2.4.2.5	Supplementing the Annual Financial Reporting	30
2.4.3	Objectives of Interim Financial Report	31
2.4.4	Qualitative Characteristics of Interim Financial Reports	31
2.4.4.1	Understandability	32
2.4.4.2	Relevance	32
	- Timeliness	33
	- Frequency of Reporting	34
	- Financial Reporting Lag	37
2.4.4.3	Reliability	38
2.4.4.4	Comparability	39
2.4.5	Historical Development of Interim Financial Reports	40
2.4.5.1	Historical Development of Interim Financial Reports in the US and UK	41
2.4.5.2	Historical Development of Interim Financial Reports in the Jordan	46

2.4.6	Problems Preparation of Interim Financial Reporting	49
2.4.6.1	The True Estimation	49
2.4.6.2	Applying Principle of Matching Expenses and Revenues	50
2.4.6.3	Interim Financial Reporting Approaches	50
2.4.6.4	Seasonality	52
2.4.7	Demand on Auditing Interim Financial Reports	52
2.5	The Requirements under the International Accounting Standard no. (34)	55
2.5.1	The Objective of the Standard	55
2.5.2	The Scope	55
2.5.3	Content of an Interim Financial Report	56
2.5.4	Selected Explanatory Notes	58
2.5.5	Disclosure about compliance with IFRSs	59
2.5.6	Periods for which Interim Financial Statements are required to be presented	60
2.5.7	Restatement of Previously Reported Interim Periods	60
2.6	Financial Reporting Environment in Jordan	61
2.6.1	Companies Control Department	62
2.6.1.1	The public shareholding companies	63
2.6.2	Jordan Central Bank	64
2.6.3	Jordanian Capital Market	66
2.6.3.1	Establishment of the Amman Financial Market	66
2.6.3.2	Major developments of the Jordanian Capital Market	68
2.6.3.2.1	Jordan Securities Commission	69
2.6.3.2.2	Amman Stock Exchange	72
2.6.3.2.3	Securities Depository Center	74
2.6.4	Corporate Governance in Jordan	75
2.6.5	Chapter Summary	78

CHAPTER 3: PREVIOUS STUDIES

3.1	Introduction	79
3.2	Surveys of Interim Financial Reports	79
3.2.1	The Extent of Disclosure of Interim Financial Reports	80
3.2.1.1	Studies in the US and UK	80
3.2.1.2	Studies in the Other Countries	85
3.2.1.3	Summary	91
3.2.2	Timeliness of Interim Financial Reports	92
3.2.2.1	Studies in the US and UK	92
3.2.2.2	Studies in Other Countries	98
3.2.2.2	Summary	101
3.3	Interim Financial Report as a Source of Information	102
3.4	The Usefulness of Interim Financial Reports	103
3.5	Reliability of Interim Financial Reporting	104
3.6	Predictive Ability of Interim Data	106
3.7	Capital Market Study	108
3.8	Conclusion	111

CHAPTER 4: RESEARCH FRAMEWORK

4.1	Introduction	115
4.2	Framework Development	115
4.3	Variables Discussion and Hypotheses Development	122
4.3.1	Association between the Extent of Disclosure and Independent Variables	122
4.3.1.1	Association between the Extent of Disclosure and Board characteristics	122

4.3.1.1.1	Board characteristics	122
	<ul style="list-style-type: none"> - Board composition - Board size - Board leadership structure 	
4.3.1.2	Association between Extent of Disclosure and Ownership Structure	129
4.3.1.2.1	Ownership structure	129
	<ul style="list-style-type: none"> - Foreign ownership - Government ownership - Number of shareholders 	
4.3.1.3	Association between Extent of Disclosure and Company attributes	134
4.3.1.3.1	Company attributes	134
	<ul style="list-style-type: none"> - Company size - Company profitability - Company growth - Age of Company - Leverage of Company - Audit firm size - Market listing status 	
4.3.2	Association between Timeliness and independent variables	148
4.3.2.1	Association between Timeliness and Board characteristics	149
4.3.2.1.1	Board characteristics	149
	<ul style="list-style-type: none"> - Board composition - Board size - Board leadership structure 	
4.3.2.2	Association between Timeliness and ownership structure	152
4.3.2.2.1	Ownership structure	152
	<ul style="list-style-type: none"> - Foreign ownership - Government ownership - Number of shareholders 	
4.3.2.3	Association between Timeliness and Company Attributes	154

4.3.2.3.1	Company Attributes	154
	<ul style="list-style-type: none"> - Company size - Company profitability - Company growth - Age of Company - Leverage of Company - Audit firm size - Market listing status 	
4.4	Chapter Summary	162
CHAPTER 5: RESEARCH METHODOLOGY		
5.1	Introduction	163
5.2	Questionnaire Survey	164
5.2.1	Data Sources	165
5.2.2	Questionnaire Development	166
5.2.3	Identifying the Respondents	170
5.3	Analysis of IFR	172
5.3.1	Data Sources	172
5.3.2	Sampling	172
5.3.3	Measuring the Research Variables	173
5.3.1.1	Dependent Variables	173
	<ul style="list-style-type: none"> - The Extent of Disclosure - Timeliness 	173 176

5.3.3.2	Independent variables	177
-	Board characteristics	177
•	Board composition	
•	Board size	
•	Board leadership structure	
-	Ownership structure	178
•	Foreign ownership	
•	Government ownership	
•	Number of shareholder	
-	Company attributes	179
•	Company size	
•	Company profitability	
•	Company growth	
•	Age of Company	
•	Leverage of Company	
•	Audit firm size	
•	Market listing status	
5.4	Statistical Techniques	182
-	Descriptive statistics	
-	Linear regression analysis	

5.5	Chapter Summary	184
-----	-----------------	-----

CHAPTER 6: DISCUSSION, RESULTS AND DATA ANALYSIS

6.1	Introduction	185
6.2	Results of Questionnaire Survey	186
6.2.1	Respondents' Background	186
6.2.2	Use of Half-yearly Financial Reports	189
6.2.3	Perceptions of Investors on the Purpose of Half-yearly Financial Reports	190
6.2.4	Perceptions of Investors on the Usefulness of Sources of Information in Making Investment Decisions	193
6.2.5	The Perceptions on Timeliness and Content of Half-yearly Financial Reports	195
6.2.5.1	Preferences for Frequency of Financial Reporting	195
6.2.5.2	Preferences for Financial Reporting Lag	197
6.2.5.3	Preferences for the Sufficiency of the Information Contained in the Interim Financial Reports	198

6.2.5.4	Preference as to the Extent of the Overall Disclosure in the Interim Financial Reports	198
6.2.6	The Relative Importance of Items that should be presented in the Half-Yearly Financial Reports	199
6.2.6.1	The Extent of the Relative Importance of Sections of Half-Yearly Financial Reports	200
6.2.6.2	Investors' Opinion as to the Relative Importance of Items that should be presented in the Interim Financial Reports	202
6.3	Data Analysis and Results	206
6.3.1	The Extent of Disclosure in the Half-Yearly Financial Reports	207
6.3.1.1	Overall Compliance	207
6.3.1.2	Overall Extent of Disclosure	209
6.3.2	The Timeliness in the Half-Yearly Financial Reports	213
6.3.3	Association between the Independent Variables and the Extent of Disclosure and Timeliness	215
6.3.4	The Regression Analysis	222
6.3.4.1	Regression Assumptions	222
6.3.4.1.1	Outliers	222
6.3.4.1.2	Normality	223
6.3.4.1.3	Linearity	224
6.3.4.1.4	Multicollinearity	224
6.3.4.1.5	Homoscedasticity	226
6.3.4.2	Association between Extent of Disclosure and the Independent Variables	227
6.3.4.3	Association between Timeliness and the Independent Variables	229
	- Logistic Regression Analysis	230
	- Ordinary Least Squares Regression Analysis	233
6.3.4.4	Association between the relative importance of an item and its extent of disclosure.	236
6.4	Conclusion	237

CHAPTER 7: SUMMARY, CONCLUSIONS AND FUTURE

WORK

7.1	Introduction	242
7.2	Summary of Findings	243
7.2.1	Results of questionnaire survey	243
7.2.2	The Extent of Disclosure in the Half-Yearly Financial Reports	246
7.2.3	The Timeliness in the Half-Yearly Financial Reports	247
7.2.4	The Association between the Relative Importance of an Item and its Extent of Disclosure	249
7.3	Recommendations of study	249
7.4	Limitations of Study	250
7.5	Recommendations for Future Research	251
7.6	Implications of the Study	252
7.6.1	Implication for Theory	252
7.6.2	Implication for Practice	253
7.7	Concluding Remarks	254
	REFERENCES	255
	APPENDIXES	271

Appendix 1: The Questionnaire

Appendix 2: The Findings about the Extent of Disclosure in Half-Yearly Financial Reports for all Companies

Appendix 3: Mahalanohis Distance Test & Value of Cook's Distance

Appendix 4: Normality Assumption

LIST OF TABLES

Table 3.1:	Previous Studies that Surveyed Interim Financial Reports Pertaining to Disclosure	112
Table 3.2:	Studies Pertaining to Timeliness of Interim Financial Reports	114
Table 6.1:	Summary of the Number of Questionnaires; Distributed, Gathered, Usable and Designation of Respondents	187
Table 6.2:	Age, Gender, and Experience of Respondents	188
Table 6.3:	Academic Qualification, Academic Field and Professional Qualification	189
Table 6.4:	Sources of Interim Financial Reports	190
Table 6.5:	Perception of Investors on the Purpose of Interim Financial Reports	192
Table 6.6:	Investors' Perceptions on the Usefulness of Different Sources of Information	194
Table 6.7:	Investors' Preferences for Frequency of Interim Financial Reports	196
Table 6.8:	Investors' Preferences for Allowable Financial Reporting Lag of Interim Financial Reporting	197
Table 6.9:	Investors' Views for Sufficiency of the Information Contained in IFR	198
Table 6.10:	Investors' Preferences for Extent of the Overall Disclosure in IFR	199
Table 6.11:	The Relative Importance of Sections of Half-Yearly Financial Reports	200
Table 6.12:	The Relative Importance of Items of Half-Yearly Financial Reports	203
Table 6.13:	Companies' Disclosure for Interim Financial Reports Sections	207
Table 6.14:	The Findings about the Extent of Disclosure in Half-Yearly Financial Reports for all Companies	Appendix

Table 6.14a:	Distribution of Companies According to the Extent of Disclosure Groups	210
Table 6.14b:	The Mean of the Extent of Disclosure in Half-Yearly Financial Reports According to Sections Groups	211
Table 6.15:	Distribution of Financial Reporting Lags	214
Table 6.16	Descriptive Statistics of Variables (Before Normality)	218
Table 6.16a:	Descriptive Statistics of Variables (After Normality)	219
Table 6.17	Pearson Correlation Coefficients (2-Tailed) (Before Normality)	220
Table 6.17a:	Pearson Correlation Coefficients (2-Tailed) (After Normality)	221
Table 6.18:	Multicollinearity Statistics	225
Table 6.19:	Regression Results of Extent of Disclosure Against Independent Variables	227
Table 6.20:	Logistic Regression Results of Timeliness Against Independent Variables	231
Table 6.21:	Regression Results of Timeliness Against Independent Variables	233
Table 6.22:	Regression Results of the Relative Importance of an Item and Its Extent of Disclosure	237

LIST OF FIGURES

Figure 4.1: First Framework of the Study	120
Figure 4.2: Second Framework of the Study	121

LIST OF ABBREVIATIONS

ACAI	American Chartered Accountants Institute
AFM	Amman Financial Market
APB (UK)	Auditing Principles Board
APB (US)	Accounting Principles Board
ASB	Accounting Standards Board
ASE (JORDAN)	Amman Stock Exchange
ASE (US)	American Stock Exchange
ASE (Greek)	Athens Stock Exchange Market
ATEI	The academic staff technology institute
CBJ	Central Bank of Jordan
CPA	American Certified Public Accountant
CFA	Chartered Financial Analyst
FASB	Financial Accounting Standards Board
HSE	Helsinki Stock Exchange
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISIN	International Security Identification Numbers
JCPA	Jordan Certified Public Accountant
JSC	Jordan Securities Commission
KLSE	Kuala Lumpur Stock Exchange

LSE	London Stock Exchange
MASB	Malaysian Accounting Standards Board
NYSE	New York Stock Exchange
SDC	Securities Depository Center
SEC	Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Accounting disclosure is defined as efforts to provide accounting information, and this professional job is normally performed by accountants. The accounting disclosure is very important for all stakeholders as it provides them with the necessary information to reduce uncertainty and helps them to make suitable economic and financial decisions. The transparency of corporate reports for example is vital for economic stability and the promotion of sustained levels of high quality investment by corporations. This is achieved through the preparation of financial reports.

The annual financial reports published by companies are considered one of the most important sources of information due to the diversity of information contained in these reports. These financial reports include information that may help in recognizing the financial position of the company, the net income from its operations, the degree of liquidity, sources and application of funds, and any other valuable information. Although the annual financial reports are generally able to provide important information, sometimes the data provided may not be useful enough to meet the needs of some beneficiaries like investors and creditors who continually need updated information regarding activities of companies at the appropriate time of the fiscal financial year.

In order for financial statements to be relevant, they should have a number of characteristics. One of the most important characteristics is *timeliness*. In a dynamic business environment, financial information must be available on a

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